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SUBJECT: WENZHOU'S CHINT - A MODEL ENTERPRISE

REF: SHANGHAI 44

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11. (SBU) Summary: During a visit to Wenzhou on December 14-15, Congenoffs' toured the CHINT company, one of Wenzhou's leading enterprises. According to CHINT executives, the company's success was due to its President's leadership and its close relations with the local government. CHINT is the third largest producer of electrical goods in the world and one of the leading enterprises of Wenzhou. Executives appeared intent on meeting quality standards and claimed that they provided employees with training and healthcare. The company was also interested in social issues and company President Nan Cunhui has given approximately 100 USD million RMB to various charities in the past two years. Wenzhou's economic development and migrant labor practices were reported reftel. Wenzhou's religious situation will be reported septel. End Summary.

Nan Cunhui: A True Rags-To-Riches Story

12. (SBU) Congenoffs toured the CHINT factory and headquarters in Wenzhou on December 15 with CHINT Vice President Lin Kefu and Fred Hong, one of CHINT's legal advisors. Congenoffs also met with CHINT Chairman Nan Cunhui on December 5 and at a dinner on December 14. Lin and Hong were also present at the December 14 dinner. Nan is a true rags-to-riches story. A former shoe cobbler, Nan founded CHINT in 1984 with a 6,000 USD investment. Nan was ranked 58th in Forbes "China's Top 100 Richest Entrepreneurs in 2002" and is often asked by the Chinese government to represent entrepreneurs at governmental meetings. During the December 5 lunch, Nan showed Congenoffs pictures of him with former President George Bush, Former Chinese President Jiang Zemin, former President Bill Clinton and Henry Kissinger. He had also just returned from Stanford University where he participated in an exchange on high technology.

13. (SBU) According to Lin, Nan was the driving force behind CHINT's success. Lin compared him to Bill Gates and said although Nan had never gone to college, he was constantly learning and had spoken at universities such as Harvard and Stanford. Nan was also very good with people and knew how to unite people towards a common goal. Lin added that CHINT was also successful because of the local government's support. Lin also served as the Secretary of CHINT's Party Committee and added that the communist party's role was to help companies such

as CHINT to grow stronger. He noted that Nan was not a member of the communist party and, although he could join the party, there was no need for him to be a party member.

Factory Conditions

14. (SBU) CHINT is the third largest producer of industrial electrical equipment in the world behind Siemens and ABB. It had 15,400 employees and factories in Shanghai, Hangzhou, and Wenzhou. Its Wenzhou factory produced low voltage electrical goods, while its Shanghai factory produced middle to high voltage goods and had a research and development center. The Hangzhou factory produced industrial automatic control systems. Its headquarters are located in Wenzhou. According to its promotional materials, it was involved in electrical projects in Italy and Pakistan and also had projects with the Three Gorges Dam project, Baosteel and Chinese Central Television (CCTV). It also had a joint venture with General Electric in Wenzhou. CHINT executives appeared intent on making the company operate at world-class standards and have implemented plans regarding Six Sigma (quality control program) and RoHS (restriction of hazardous substances). The company had also installed an ERM (enterprise resource management) software system for managing company-wide resources.

15. (SBU) According to Hong, Nan was considering listing the company on the London, Hong Kong or U.S. stock exchanges. He was not interested in obtaining more capital, but believed that listing the company on an international market would help it get more recognition and compete with ABB and Siemens. He noted that Sarbanes-Oxley accounting constraints might limit interest in CHINT's listing on an U.S. stock exchange, however, there was still prestige in being one of the first homegrown Chinese companies to do so. One of Nan's goals for the future is to make CHINT the leading supplier of industrial electrical goods.

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16. (SBU) During Congenoffs tour of the factory, the factory appeared clean, heated, and well-lit. However, there were fumes in the air that might have indicated poor ventilation. Most of the factory workers appeared to be stressed. Few looked up from their work and most appeared to be working as fast as possible. According to CHINT Vice Director Zhang Xinghua, workers were paid by the number of pieces they assembled. A worker could make up to 1,600 RMB (206 USD) per month and the lowest paid workers had a salary of 1,200 RMB (155 USD) per month. Workers were required to meet production quotas, but he did not provide details on what this meant. The factory's working hours were from 8:00 to 4:30 and there were two shifts for lunch. Workers worked an average of five and a half days a week. One week they worked five days and the next they worked six days. Most of the workers were from other towns and lived in dormitory-style housing at the factory. Factory workers lived in four-person rooms, engineers were provided with their own rooms and high-level managers were provided with an apartment. Workers had to pay an average of 30 RMB a month to live in the dorms. Those who were from Wenzhou and lived outside of the factory were provided with a small stipend for housing.

17. (SBU) According to Zhang, most of the workers at this factory were females between 20-25 years of age. The turnover rate was only five percent per year, although this did not include the people the factory let go. (Comment: It is difficult to believe that the turnover rate was only five percent given the young age of the workers and the fast pace in which they were working. End comment.) Zhang claimed that CHINT valued its employees and took measures to improve their lives. The factory had a gym, ping-pong and basketball equipment as well as a library and karaoke facilities. It also provided medical check-ups to its workers for free. Nan said in the December 5 meeting that the factory also provided training for workers and was one of the first companies to provide employees with insurance and healthcare. Truly outstanding workers were

given stocks in the company to increase their loyalty.

Giving Back to the Community

18. (SBU) CHINT officials also stressed that CHINT was a productive part of the community and interested in improving life in China. Lin said Nan wanted to improve society and had contributed nearly 100 million RMB in two years to various charities. He donated money to the Red Cross for a HIV/AIDS project and to a HIV/AIDS village in Henan. After the district government of Yueqing complained that Nan only gave his money to outsiders, Nan donated 20 million RMB (2.6 million USD) to the Yueqing district charity fund. Nan is from Yueqing and his factory is located in the district. Nan noted in his conversation with Congenoffs that he was concerned about the environment and made sure that his factory recycled. Lin told Congenoffs that CHINT was very strict about the environment and treated all of the water near the factory. Lin added that Nan was typical of many entrepreneurs. When he first began his company, Nan was not very cultured or educated. But as he became more successful, he became more socially aware and was not interested in broader issues, such as the environment.

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